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RUEHNE/AMEMBASSY NEW DELHI 0482
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHDC
RHEHNSC/NSC WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
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UNCLAS SECTION 01 OF 02 ASHGABAT 001044

SIPDIS

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SUBJECT: TURKMENISTAN'S SEYDI REFINERY SEEKS A GREATER ROLE
IN HYDROCARBON SECTOR

REF: ASHGABAT 922

Summary

1. (SBU) The Soviet-era Seydi refinery, located in eastern Turkmenistan and previously reliant on Siberian crude stocks, currently operates at one-sixth of capacity. Drawing from fields in eastern and southern Turkmenistan, the refinery relies on rail transport to receive crude oil for processing. The refinery's leadership envisions a program of renovations and pipeline development to enhance the facility's production capabilities. Given low input costs and a 90% export ratio, the Seydi refinery may generate a positive cash flow. The future of Seydi's refinery, however, likely rests with the government's evaluation of the potential production of oil fields on the right bank of the Amu Darya River. End summary.

What are We Doing Here?

2. (SBU) Located near the Amu Darya River about one hour's drive northwest of Turkmenabat in eastern Turkmenistan, the Seydi refinery is considerably smaller than the recently renovated Turkmenbashi refinery on the Caspian Sea (reftel). In a meeting with emboffs September 28, Seydi refinery director Amannazar Kerkavov admitted that the refinery, which was planted in the desert scrub in 1971 and finally commissioned in 1991, produced only about one million tons of refined product in a facility with a six million ton annual capacity. The refinery relies on rail cars to both supply domestically-sourced crude oil for processing and deliver its refined products for domestic consumption and export. A Soviet-era pipeline, which transported Siberian crude oil to the facility via Uzbekistan until 1994, is now dormant. No other pipelines connect the refinery to Turkmenistan's hydrocarbon infrastructure.

Ways and Means

3. (SBU) The refinery draws oil/gas condensate from the southern Dovletabad field and crude oil from the southern

Yoloten field near Mary and the Yashyldepe field on the right bank of the Amu Darya. Kerkavov envisioned the Seydi refinery receiving up to 2.5 million tons of Amu Darya right bank crude oil a year by 2009 - a figure which appears to be far beyond current right bank production. When asked to detail which fields would supply the large amounts of crude oil, he deferred specific planning decisions to state oil concern Turkmennebit. (Note: Most existing crude oil production is located in western Balkan Welayat, and subsequently much closer to the larger Turkmenbashy refinery. End Note.)

Pipe Dreams

14. (SBU) Kerkavov and his chief engineer lauded plans to begin renovations in 2008 that would maintain the same capacity, but widen the product line, at the refinery. In a windshield tour of refinery operations, the chief engineer pointed out vacant space for expansion, but could not identify what would be built under the renovation plans. Both he and Kerkavov envisioned building pipelines from the Yoloten and Yashyldepe fields in order to streamline refinery operations. Currently, the refinery, even with a crude oil storage capacity of 250,000 tons, shuts down three or four times a year due to shortages of crude oil inputs for operations. (Note: The refinery has storage for refined products of an additional 250,000 tons. End Note.)

Cashing In

15. (SBU) Kerkavov said the refinery exported 90% of its

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production to India, Russia and Europe (via Russia) "at international prices." Currently 25-30% of export volume transits the larger Turkmenbashy refinery facility on the Caspian Sea. With the majority of its production exported, crude oil input costing 48,000 manat (roughly two dollars) per ton and capital expenses excluded, this Soviet-era relic may generate a positive cash flow. Kerkevov refused to provide emboffs with details of the refinery's operating costs.

A Turkmen Company Town

16. (U) Seydi, a town with approximately 25,000 inhabitants, is a company town. The refinery employs 1,600 people and runs its own vocational school in Seydi to train blue-collar employees for work at the refinery. The refinery also runs the main water works in Seydi, providing 4,000 cubic meters of water a day for use by the town and the refinery. No other major industrial facilities were seen in the town.

Comment

17. (SBU) The Seydi refinery, a Soviet-era relic from a time when republic boundaries had less bearing on the flow of crude oil, is falling behind the country's main Caspian Sea refinery at Turkmenbashy. Plans for Seydi's renovation require the approval of the Turkmenbashy refinery, a facility that is completing its own expansion program which will leave it with a sizable excess refining capacity. While building crude oil pipelines to feed Seydi would be a more efficient means of transport and permit the refinery to run without interruption, any decision to renovate Seydi will likely be based on the government's plans for hydrocarbon development in eastern Turkmenistan. Septel will report embassy's observations of oil and gas resources on the Amu Darya's right bank. End Comment.

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